

SMALL BUSINESS COMMISSION
DRAFT MEETING MINUTES

Monday, October 24, 2022 4:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102

SMALL BUSINESS COMMISSIONERS

Sharky Laguana, President;
Miriam Zouzounis, Vice-President;
Tiffany Carter, Lawanda Dickerson; Rachel Herbert; Cynthia Huie; William Ortiz-Cartagena;

1. Call to order and roll call

4:32pm

Present: Carter, Dickerson, Herbert, Huie, Laguana

Late: Ortiz-Cartagena

Absent: Zouzounis

2. Status of the Reopening of the San Francisco Economy (Discussion Item)

The Commission heard a presentation from Ted Egan, Chief Economist, on the latest data tracking economic recovery. Per September 2022 report:

- City's unemployment remains very low 9in part bc of fewer people in labor force.
- Tourism is fairly strong – international air travels back to 77% of pre-covid levels. Domestic air travel still low.
- Declining home values, apartment rents are flat
- Saw job declines in tech for the first time in a while. That sector has experienced layoffs.
- San Franciscans still staying home more than other cities
- BART ridership is still very low

Commissioner comments:

Huie:

- When Asia opens, how will that help recovery? Egan: Likely would increase international travel to us.
- Where is Denver/Phoenix increased travel from? Canada and Mexico.

Herbert: There is talk about a second quarter recession in 2023? Egan: yes, and it will impact SF even more because of the tech sector changes. When confidence in tech stocks declines, companies suffer. One mitigating factor is that layoffs will be less impactful if most of those employees were already working from home (and thus SF is missing out on their economic activity already).

Ortiz-Cartagena: what are the lasting trends of a downtown? The recession will likely be brief (because it's a direct result of Fed reserve policies that can be addressed). Prices will be lower eventually. BART is concerning because of 30% occupancy. Offices are 75% of SF GDP so if office stays in a permanent lull, impacts are huge. Our housing is weak because people no longer need to be here to access an SF job. In past recessions we saw 30-50% declines in asking prices for offices/housing.

Huie: What are the implications for small business? We lost more workers than other cities and many moved away so labor shortage is a challenge. If getting people to work is challenging and costs are high, locating a business in SF is less appealing.

Carter: What other industries do we need to be looking at? Biotech. OEWD is doing a study on future industries that may be appropriate for SF. Austin TX is the most similar to SF's economy so we may be able to learn from them. But our economy is very unique.

Ortiz-Cartagena: How will the office vacancies impact our city budget? We have built a model to understand what the office vacancies mean for property tax. Prop 13 actually provides a cushion for us. Business/gross receipts tax impacts were immediate during COVID. Hotel tax/sales tax has been disappointing in recovery.

Herbert: What do you think of getting creative downtown with residential conversions? There isn't much interest in turning office to housing because of high construction costs. Not a clear demand for that area if no offices exist and there's not vitality there yet. It would also be better to have offices full than if we converted them to housing because of bang for buck.

Laguana:

- Do we have any idea of net new business registrations? Closures are hard to track and they are not an urgent thing when closing. Not time sensitive from perspective of TTX. Imperfect data.
- Leisure/hospitality jobs have decreased. We know tech jobs grew, so what do we know about the demographics of the unemployed labor market? Leisure/hospitality workers probably didn't move to tech? We don't know how many people are actually in SF – they could be working at an SF business but working from Lake Tahoe. There's a data gap. Unemployment calculation can't track who moves away.
- We've seen a surge in the unhoused Hispanic population. We've also seen leisure/hospitality sectors are down. Could decrease in small business sector be directly connected with unhoused surge? Those are two very separate populations – homeless population didn't increase by the same amount as decline in leisure/hospitality jobs. People at the margins of labor market are in and out of housing. Census data world is different from homeless population data.
- Eager to see property tax modeling.
- Do you track mood/sentiment that have implications on economic impact/taxes? No. But we know that taxed populations have an incentive to shrink (because they move to where they are not as taxed). The business taxes in SF are numerous and complex and hard to anticipate. CEO tax could become a big amount but they wouldn't know how much they owe until the end of the year when CEO gets a bonus. We're in a city where taxes go up all the time and we don't know what will come next. There is no evidence yet that high taxes drive businesses out but we are preparing a report on potential implications.
- Parklets: Do you have any data on how they have helped? They did an economic impact report on parklets early in pandemic and found they are good for the restaurant and for the non-restaurant businesses on the block. Increased foot traffic outweighed loss of parking.
- Are there strategies to increase labor – could we increase wages? Guaranteed basic income can't help with regard to labor shortage. In SF minimum wage hikes, there was a big leap in wages, but market wage quickly caught up. We need to focus on transportation improvements – we could try to reduce cost of housing or increase wages, but transportation may be easier.

Ortiz-Cartagena: Working with the Mission Food Hub showed interesting trends in Hispanic communities. If 5 families live in a household and the one person who has documentation/income leaves, those families are hurt.

Public Comment:

Anonymous: Commissioners should know that there are 61k homes in SF and SBC should pay attention to the housing element. Over 80,000 families have left SF. Focus on bringing housing to SF. We have to address quality of life issues.

3. **SF New Deal Presentation (Discussion Item)**

The Commission heard a presentation from SF New Deal reviewing the results of their report "Current and Future Challenges: the Small Business Landscape in San Francisco". Simon Bertrang, Executive Director, SF New Deal introduced the organization - founded in 2020 to support small businesses. Disbursed \$35 million to 635 small businesses and distributed meals to address food insecurity. SFND works with HSA, OEWD, and SF

Environment. They conducted a survey of micro business grantees. 85% surveyed employed less than 5 people. Majority of survey respondents represented underserved communities. 67% of grantees reported earning less than \$25k in 2020. 77% of grantees have debt. Very bleak landscape for small businesses. Federal govt. Was a huge source of loans through PPP. As that support wanes, small businesses are relying on other sources of credit including personal liability. 47% of respondents wanted accounting assistance/training. 41% said staffing was the biggest challenge.

Commissioner Comments:

Carter: SF New Deal was a lifeline for her business. You also provided so many meals to our community.

Ortiz-Cartagena: Ditto. Super helpful in getting grants out there. Regarding your finding re: small business accounting – that’s so huge. Many small business plans are simply to work harder, but we need this TA and accounting to build generational wealth. We should wipe out small business debt.

Huie: I’m blown away by how much your organization has helped and grown. Technical services really need to come to the business itself – it’s different than pre-pandemic. Now we need to go outside of community hubs for workshops, etc. One on one service would help. People tend to think of success in terms of how busy they are – not in terms of cash flow. We know the next generation needs more support as they come into business – are there ways we can support the new workforce – there are more emotional pressures.

Bertrang: SF New Deal has a call center to help businesses in four languages.

Ortiz-Cartagena: we need to go into businesses to help them directly. No more workshops.

Carter: SF New Deal is doing great with social media.

Laguana: SF New Deal came to the Commission May of 2020. You were able to directly reach and help so many businesses. ERTC is the biggest untapped resources for small businesses right now. Lack of access to bookkeeping advice is the main barrier. The idea of using vouchers to help workers get here more cheaply seems ripe for exploration.

Public comments:

Anonymous: what has the City learned from the results of this survey? What has the Office of Economic Development learned? It’s a shame that so many small businesses closed in SF and the City couldn’t do anything. SF New Deal is the shining star.

4. Approval of Draft Meeting Minutes (Discussion and Action Item)

Ortiz-Cartagena: minutes say ABE instead of APE.

Motion to approve draft minutes with suggested edits: Huie

2nd: Carter

Ayes: Carter, Dickerson, Herbert, Huie, Laguana, Ortiz-Cartagena

Absent: Zouzounis

5. General Public Comment (Discussion Item)

No public comment

6. Commissioner Discussion and New Business (Discussion Item)

Ortiz-Cartagena: Last week MEDA gala was great. Today Mayor announced additional cultural ambassadors similar to Urban Alchemy. Excited about this because it’s not policing but it will address quality of life issues. Thanks to the Mayor for her leadership.

Huie: The MEDA event was fun. CDMA gala was also great and Art Walk SF was honored. The next Art Walk is in the Excelsior and then Bayview.

Carter: Also want to applaud Mayor Breed and her efforts to support small business. Urban Alchemy is really helpful too.

Dickerson: Huge shout out to Mayor for her support of small businesses. She patronizes them so much. Shoutout to Mayor Breed and President Walton for their work to bring Lucky's to Bayview. It's a big deal for the neighborhood and community. They've intentionally hired locally from the Bayview community.

Carter: We're so excited to see Lucky's and they came to the community in the right way – hiring local and selling local products.

Laguana: All Out SF happened. Went to the small business flash mob. The only other person at the flash mob was me and Commissioner Huie. Richmond was so fun.

7. Adjournment